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TAGS: [AORC](#) [PREL](#) [ENRG](#) [TRGY](#) [KNNP](#) [MNUC](#) [IAEA](#) [IR](#) [SY](#)
SUBJECT: IAEA/DG: ELBARADEI MOVING FORWARD ON FUEL BANKS

REF: UNVIE 95

Classified By: Ambassador Gregory L. Schulte for reasons 1.4 b and d

Summary

11. (C) Ambassador Schulte assured Director General ElBaradei of steadfast U.S. support for the IAEA on March 13. The DG looked to U.S. leadership on budget issues. In a detailed discussion of fuel bank proposals, ElBaradei expressed increased optimism that the stage had been set for a good Board discussion in June. The Secretariat was preparing its paper on the International Nuclear Fuel Bank (INFB) and expected Russia to also present a detailed proposal in June, which would enable the Secretariat to negotiate an agreement with Russia to be submitted to the September Board. He confirmed that the Nuclear Threat Initiative was discussing with Kazakhstan the prospect of being the host country for the INFB. Although he was optimistic, ElBaradei noted that a few key G-77 outliers need to be persuaded, including Brazil, Argentina, South Africa and most problematically Egypt. He suggested a high-level approach to Cairo to address Egyptian concerns, about which he was personally dismissive, that the fuel bank would provide Israel access to nuclear material. Progress on disarmament and dialogue with Iran would also be helpful, as Iran could continue to play a spoiler role with respect to fuel banks. Finally, the DG suggested that a symbolic contribution to the INFB on the part of other G-77 countries, besides Gulf allies, would also lend credibility to this proposal.

12. (S) On the Iran and Syria investigations, the Director General argued as before that the IAEA had reached the end of its technical mandate and that only a political opening could lead to a breakthrough. He acknowledged, however the need for Syria to "come clean" and for Iranian cooperation with the IAEA simultaneous with diplomatic negotiations, including U.S. engagement. The DG continued to believe that allowing Iran only a limited enrichment capacity would be a more realistic objective than full suspension. End Summary.

Support for the IAEA

13. (C) The Ambassador reaffirmed strong support for the IAEA in the U.S. administration. He acknowledged campaign pledges to double the IAEA budget but advised that he was awaiting guidance on our approach to the Secretariat's 2010-2011 budget proposal. The Ambassador cautioned that there would be opposition on the part of other Member States, including the EU, who might caucus for zero real growth. ElBaradei repeated his quip that Member States will get the kind of Agency they pay for. The Ambassador assured the Director

General that the budget proposal was "on our radar screen." ElBaradei looked to U.S. leadership and advised that without the U.S. leading the charge, "nothing would happen."

Moving Forward on Fuel Banks

¶4. (C) Noting strong Administration support for the international nuclear fuel bank (INFB), Ambassador Schulte thanked the Director General for his leadership on this issue and introductory remarks to the March Board (reftel). Reflecting on the Board debate, ElBaradei expressed optimism for the first time. He acknowledged a change in the dynamic at the Board with more G-77 countries speaking in favor of such mechanisms than in opposition. Although it had required some "acrobatics" on the part of the Secretariat, the DG felt he had sufficient authority to develop a concept for the INFB. The criteria would be broad to cover all member states "under safeguards" and not linked to the NPT; he specified the broad applicability by citing "India, Pakistan, etc." He also reported that former Senator Sam Nunn, on the part of the Nuclear Threat Initiative (NTI), was speaking to the government of Kazakhstan about hosting the INFB. When the Ambassador noted that the new Kazak Ambassador in Vienna had not heard from the Secretariat, ElBaradei explained that NTI was making the initial overture. Upon agreement in principle, the IAEA would follow up on legal issues, custody, physical protection and other details with Kazakhstan.

¶5. (C) ElBaradei envisioned a good Board discussion in June would realistically set the stage for approval by the September Board, allowing time to work over the two or three remaining skeptics during the summer. In addition to the Secretariat's paper on the INFB, he wanted the Russians to also come to the June Board with a more specific proposal. The Secretariat would then be able to prepare an agreement with Russia for approval by the September Board. At the present time, the Director General did not believe the Secretariat had negotiating authority from the Board to conclude such an agreement. (Comment: Presumably he would look to the June Board to grant him such authority. End comment.) He also noted that the June Board agenda was "overtaxed" and thus favored putting off approval until September.

¶6. (C) The Director General had also spoken to the Germans about their multilateral fuel bank proposal but it was not clear that they were ready to operationalize this construct. The DG viewed the German proposal as long term and benefiting only the five or six countries involved, contrasting this with the INFB, which was open to all and "free."

Persuading the Critics

¶7. (C) The Secretariat would now draft a concept paper on the INFB for the June Board, which for the "umpteenth" time would clarify that this would not impinge on anyone's NPT rights and reflected a Statutory function. States should view this as an additional insurance policy, he noted. Among those who voice skepticism, ElBaradei sees Brazil, Argentina and South Africa as needing further assurance that they were not being singled out and that there was no impediment to indigenous enrichment. By contrast, Egypt's opposition was entirely predicated on concern that such fuel banks would give Israel access to nuclear material. ElBaradei was personally dismissive of this worry, assessing that Israel already had nuclear weapons and had no interest in LEU for a nuclear power program, which "would be a sitting target." He agreed that this was not about Israel but about "the neighborhood" and advised a high level approach to Cairo to this effect before Board approval of a fuel bank mechanism. The DG also noted that he would be traveling soon to Cuba and Venezuela, and could talk to them as well.

¶8. (C) The Director General further advised that "symbolic" contributions to the INFB from countries besides Gulf allies

UAE and Kuwait would add credibility to the fuel bank concept. He suggested ideally Brazil, Indonesia, Malaysia or South Africa, perhaps Turkey and one or two Latin countries such as Chile or Colombia. Even a nominal contribution from Indonesia or Vietnam would be "perfect."

¶9. (C) More broadly, ElBaradei suggested that progress on disarmament, such as some announcement before June on START II or FMCT talks would also be helpful as would the initiation of a dialogue with Iran. Iran remained the "guerrilla in the room" and would continue to seek to undercut discussion of fuel banks. He cautioned that Iran could exploit the lack of trust on the part of developing countries, which remained "skin deep," despite his increased optimism.

Syria and Iran

¶10. (S) On both Syria and Iran, the DG repeated his refrain that the IAEA had reached the end of "what we can do technically" and that only a political opening could deliver a breakthrough. While Ambassador Schulte acknowledged that the IAEA also cannot "solve" these issues alone, both Iran and Syria need to be held to their safeguards commitments. The DG agreed that Syrian President Asad needs to come clean, and suggested that the U.S. develop an "agreed scenario" with Syria that would allow it to do so while saving face. ElBaradei continued to question, "if it was a reactor," what exactly the Syrians would have been up to, when did it start, and whether it was the DPRK or Syria that initiated the project? He noted the lack of reprocessing capability in Syria and surmised that perhaps it could have been a large research reactor but in that case, questioned why Syria would not have declared it. He discounted that Asad would try anything like this again and believed that Syrian Atomic Energy head Othman was not informed given the division between military and civilian authority in Syria. The Ambassador reminded the DG that Othman was photographed with a North Korean counterpart in Syria.

¶11. (S) Ambassador Schulte also stressed the need for Iranian cooperation with the IAEA. ElBaradei argued that cooperation with the IAEA would have to be "simultaneous" with a diplomatic approach. He continued to believe that full suspension was out of reach now that Iran has the "know-how;" rather it was a matter of limiting capacity under strict safeguards to prevent a breakout capability or covert program. However, he did not rule out Iran agreeing to suspension sometime in the future. ElBaradei recognized that it would take time but also continued to view steps toward U.S. diplomatic engagement with Iran as essential. Iran's interest to be recognized as a regional power and to be given security assurances was key, he postulated.

¶12. (S) Comment: There does not seem to be a great evolution in ElBaradei's perspective on IAEA cooperation in Iran or Syria being predicated on diplomatic agreement. He supports the Administration's new approach in both cases, and is thus more inclined to press for cooperation, as was evident in his introductory remarks to the March Board and respective reports on Iran and Syria.

SCHULTE